

Bureau for Democracy, Conflict and Humanitarian Assistance
Office of Private and Voluntary Cooperation

**A Strategic Framework for the
Office of Private and Voluntary Cooperation**

FY2003-07



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TABLE OF CONTENTS

Glossary of Acronyms
List of Figures and Tables
Executive Summary

1.	Introduction	1
2.	Overall Assistance Environment	1
	2.1 Sustainable Development and NGOs	1
	2.2 The Evolving Roles of PVC	3
	2.3 Lessons Learned That Shape the New Strategy	4
	2.4 PVC's Consultations Summarized	6
	2.5 Summary	7
3.	PVC's New Framework: Strategic Objectives and Intermediate Results	8
	3.1 Introduction	8
	3.2 Strategic Objective 1: Enhanced NGO Capacity to Deliver Development Services in Select USAID Countries	10
	3.3 Rationale	10
	3.4 Intermediate Result 1.1: Strengthened Operational, Technical and Financial Capabilities of NGOs and Cooperatives	13
	3.5 Intermediate Result 1.2: Expanded Linkages among NGOs, Networks, and Public and Private Sector Institutions	14
	3.6 Intermediate Result 1.3: Wider and More Effective Learning and Dissemination by Development Partners and PVC of Tested Innovations, Best Practices, Lessons Learned and Standards	15
	3.7 Strategic Objective 2: Increased Mobilization of U.S. Development Resources	16
	3.8 Rationale	16
	3.9 Intermediate Result 2.1: Increased Operational and Technical Capacities of Select PVOs	18
	3.10 Intermediate Result 2.2: Expanded Collaboration between PVOs and Corporations	19
4.	Managing PVC's Strategy	20
	4.1 NGO Strengthening	20
	4.2 Research, Development and Outreach	21
	4.3 "Newer" PVOs	21

5.	Resource Estimates (not for public distribution)	22
6.	Conclusion	22

LIST OF FIGURES AND TABLES

Figures

Figure 1: PVC Results Framework 9

Tables

Table 1. Reported Management Changes 13

GLOSSARY OF ACRONYMS

ACVFA	U.S. Advisory Committee on Voluntary Foreign Aid
APS	Annual Program Statement
CAP	Capable Partners Program
CDIE	Center for Development Information and Evaluation
CMM	Office of Conflict Management and Mitigation
CORE	Child Survival Collaboration and Resources Group
CorCom	Corporate Community Network
DAA	Deputy Assistant Administrator
DCHA	Bureau for Democracy, Conflict and Humanitarian Assistance
DG	Office of Democracy and Governance
FFP	Office of Food for Peace
FY	Fiscal Year
IFCB	International Forum on Capacity Building
IR	Intermediate Result
IQC	Indefinite Quantity Contract
ISO	Intermediate Support Organization
MAP	Millennium Alliance Program
NGO	Nongovernmental Organization
OE	Operating Expense
OFDA	Office of U.S. Foreign Disaster Assistance
OTI	Office of Transition Initiatives
PVC	Office of Private and Voluntary Cooperation
PVO	Private and Voluntary Organization
R&D	Research and Development
RD&O	Research, Development and Outreach
RFA	Request for Application
RSSA	Resource Support Service Agreement
SEEP	Small Enterprise Education Promotion Network
SO	Strategic Objective
US	United States
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The Office of Private and Voluntary Cooperation's (PVC) new Strategic Plan responds to the Administrator's emphasis on strengthening non-governmental organizations (NGOs) in USAID-assisted countries. It is also designed to bring greater coherence to the Agency's work in this sector. PVC's new strategy covers fiscal years 2003 through 2007. It represents both an evolution from its expiring strategy (FY1996-2002) and a significant departure. Past support to U.S. private voluntary organizations (PVOs) has advanced these development partners and resulted in more effective service delivery. PVC's new strategy builds on this success but focuses on strengthening NGOs through partnerships with PVOs and other means of transferring organizational and technical expertise.

PVC's new strategy reflects Agency policy toward NGOs and PVOs, implements the recent USAID reorganization, and incorporates the views of the PVO community. The strategy supports the Agency's goal of democracy and good governance strengthened. A strong, independent and self-reliant NGO sector can become a powerful force for change by delivering services in critical sectors, partnering with business to develop socially responsible programs, and advocating for governments to do more to meet the needs of the poor and marginalized. In the future, PVC's resources will be devoted primarily to the capacity building of NGOs and other local counterparts. PVC will do this more strategically than in the past and in close collaboration with missions in USAID-assisted sustainable development and post-conflict countries.

The first strategic objective is to enhance NGO capacity to deliver development services in select USAID countries. PVC's efforts will focus on improving the strategic, managerial, financial, and advocacy skills of individual NGOs, cooperatives as well as of networks and intermediary support organizations. This incorporates PVC's previous experience in network development and broadens it to encompass advocacy for policy reform and an improved enabling environment. Current approaches to fostering linkages between NGOs and public and private sector institutions will be expanded and applied more intentionally at the local level. To support these interventions, PVC will carry out a research and outreach program to encourage the PVO and NGO communities to adopt state-of-the-art techniques.

PVC's strategy reflects the increasing need for NGO strengthening in post-conflict situations. Activities will assist both U.S. and local NGOs to undertake conflict vulnerability assessments and develop responsive programmatic interventions particular to those settings. PVC is committed to designing more effective interventions and developing best practices.

A second strategic objective is to increase the mobilization of U.S. development resources. This objective recognizes the need of smaller, perhaps newer, organizations seeking to expand and develop their development capabilities. Reflecting the Agency's commitment to a strong relationship with U.S. development partners, PVC will devote attention to the needs of these promising, more nascent, organizations to engage in effective development and humanitarian assistance. In addition, PVC will use its expertise in leveraging resources and promoting partnerships among PVOs, NGOs, and the U.S. and local business communities to address the issues of program scale-up and financial sustainability.

The new strategy has funding requirements that will enable PVC to offer a robust NGO strengthening grant program, maintain its highly effective cooperative development and ocean freight programs, pursue a proactive research and outreach agenda, provide program design and other NGO strengthening support to collaborating missions, and continue a Matching Grant program directed to new PVOs.

PVC will continue to perform its role as the focal point for the USAID/PVO partnership, through its registration of PVOs, its function as the secretariat for the Advisory Committee on Voluntary Foreign Aid, and its advocacy role vis-à-vis policies of concern to PVOs/NGOs.

A Strategic Framework for the Office of Private and Voluntary Cooperation FY2003-07

1. Introduction

The objective of PVC's prior strategy was to increase the capability of U.S. private voluntary organizations (PVOs)¹ to achieve sustainable service delivery. PVC also aimed to strengthen the capacity of indigenous nongovernmental organizations (NGOs)² by supporting collaborative relationships between them and PVOs. PVC turned its attention to the development of a new strategic framework in 2001. In developing a new framework, it was PVC's intention to build on the legacy of its success in increasing the service delivery capacity of its PVO partners. It was also PVC's intent to recognize changes in the way PVOs work with NGOs and local governments as well as the growing importance of these organizations in socio-economic development and the evolution of civil society. This background is described in Section II, Overall Assistance Environment. PVC's new strategic framework is presented in Section III. Section IV provides PVC's management plan, and Section V outlines alternate resource scenarios.

2. Overall Assistance Environment

2.1 Sustainable Development and NGOs

As the processes of democratization and globalization have moved forward, the PVO community and their NGO partners are becoming key players in civil society, finding new ways to respond to human needs and taking a leadership role in forging relationships with the private sector and government. In the case of failing states, when democratic transitions have faltered and conflict has emerged, these organizations can help mitigate state failure by assisting in the prevention of social dissolution and addressing the conditions that often exacerbate conflict.

The donor community has recognized the growing importance of PVOs and NGOs as development partners, and increasing amounts of development funds have been channeled to them. However, further progress in this regard requires the emergence of stronger, more independent and self-reliant NGO communities in USAID-assisted countries. This, in turn, means strengthening the capacity of individual NGOs and linking them in networks that enhance their problem-solving capacity, aggregate their interests, and magnify their ability to address issues that have a negative effect on their beneficiaries.³ In addition to linking NGOs with each other, it is also important to link them to local government and the business community to enhance their sustainability and impact.

¹ For the purposes of this document, "PVOs" refers to U.S. private voluntary organizations and includes cooperative development organizations.

² In this document, "NGOs" refers to indigenous, or local, nongovernmental organizations, including cooperative associations.

³ U.S. Agency for International Development (USAID) USAID 1984 Policy Paper on Local Organizations in Development - Assessment and Revision Recommendations. Literature Review (draft), (Washington, DC, March 19, 2002).

As an increasing number of states decentralize and devolve power over service delivery to the local level, NGOs are well positioned to represent the interests of the poor and marginalized. With their presence on the ground and experience at the grassroots level, NGOs help local governments identify needs and implement community programs consistent with their new responsibilities. Equally, by facilitating citizen participation in decentralization, NGOs can build social capital and encourage a greater degree of accountability from state officials. These activities parallel and complement the increased emphasis that PVOs are placing on advocacy in order to bring about policy changes at the national, regional and global levels. PVOs have similarly become increasingly successful at forging partnerships with commercial businesses to leverage resources for development activities. Building a strong NGO environment will be enhanced by replicating this approach in-country to ensure that the local business community invests and re-invests in community development. Collectively linkages between NGOs, local government and business have the potential to provide effective and sustainable services to underserved communities.

“USAID recognizes that sustainable development is much more likely to occur in countries where local NGOs are strong and supported by viable, sector-wide institutions.”

USAID recognizes that sustainable development is much more likely to occur in countries where NGOs are strong and supported by viable, sector-wide institutions. Hence, it is USAID policy to capitalize on the growing role, importance and capacity of NGOs. This means that it is prepared to:

- Actively encourage the formation of effective partnership relations between PVOs and NGOs;
- Facilitate the provision of direct assistance to NGOs to strengthen their capacity and support their development activities; and
- Invest in strengthening the institutional capacity of PVOs when this will help them to be more effective in working in USAID priority areas and in forming collaborative relations with NGOs.⁴

NGOs include a wide variety of groups engaged in a broad range of activities. However, those nongovernmental groups in which USAID is primarily interested, and for which this strategic framework has been devised, share a relatively narrow set of common characteristics. These are:

- Formally or informally organized around shared purposes,
- Not part of the state apparatus,
- Self-governing rather than externally controlled, and
- Voluntary both in the sense of being non-compulsory and in the sense of voluntary involvement in their governance or operations.⁵

⁴ USAID, USAID-PVO Partnership: Policy Guidance, (Washington, DC, April 1995), p. 6.

⁵ USAID Strategic Plan (Revised 2000), p. 21.

Approximately half of USAID's country programs involve NGOs. Typically, these programs either support the development of "civil society" organizations, i.e., citizens groups that seek to influence public policy at either national or local level, or work with local nongovernmental groups to achieve results in particular sectors. USAID country programs most often engage with such groups in the health and environment sectors.⁶ Outside observers have commented, however, that USAID's approach to NGOs has been "fragmented and diffuse," and that it has "failed to maximize linkages and synergies" across programs and sectors. These failures are attributed to the fact that the strategic objectives of USAID's country programs:

tend to focus narrowly on individual technical sectors to the detriment of building the cross-cutting institutional capabilities needed for long-term sustainable development [rather than] local organizations' management, policy, operational, administrative, advocacy and networking capacities without which specific technical objectives cannot be accomplished.⁷

A broad review of USAID/Washington programs and offices at the end of calendar year 2001 concluded that the Office of Private and Voluntary Cooperation of the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA/PVC) should address this concern by giving increased attention to strengthening NGOs.

2.2 The Evolving Roles of PVC

Historically, PVC has played dual roles within USAID. Through its competitively awarded grant programs, it has supported the developmental efforts of PVOs and, increasingly, their local partners. PVC-administered competitive grant programs have included Matching Grants, Child Survival Grants, Cooperative Development Grants, the Farmer-to-Farmer Program, the Ocean Freight Reimbursement Program, and the Development Education Program. PVC also administers the Denton Program, a non-competitive initiative that enables PVOs to ship development and humanitarian supplies to overseas recipients using military transportation on a space-available basis.

In its other role, PVC has served as the focal point for Agency policy toward PVOs, an advocate within USAID for increased involvement of PVOs in the Agency's development programs, and PVO "information central" for other parts of the Agency, other U.S. government entities and the American public. PVC is responsible for two critical outreach functions that enable it to fulfill this role.

First, it administers the Agency's PVO registration program.⁸ To be eligible for USAID funding, PVOs must be registered with the Agency and meet specified conditions concerning

⁶ Based on a search of USAID 2001 Results Review and Resource Request (R4) Reports database using the keyword "NGO".

⁷ Advisory Committee on Voluntary Foreign Aid, U.S. Foreign Assistance Priorities: Recommendations by the Advisory Committee on Voluntary Foreign Aid, (Washington, DC, December 2000), p. 8.

⁸ The requirements for registration are described in the Federal Register (CFR 22 Part 203) as well as on PVC's web site (www.usaid.gov/hum_response/pvc).

their organization, membership and financial status. PVC reviews all information submitted by applicants and determines their eligibility for registration.

Second, PVC serves as the Secretariat for the U.S. Advisory Committee on Voluntary Foreign Aid (ACVFA). ACVFA's mandate is to provide well informed and constructive advice to USAID's Administrator on the range of issues and challenges that affect the relationship between the official foreign assistance program and the work of the private voluntary community. In addition to its normal advocacy role, PVC is involved in a wide variety of issues, ranging from Agency policy with respect to PVOs to the administration of grants and cooperative agreements. PVC uses this involvement together with its own annual results reporting to identify overarching trends and challenges that the PVO community might face in the future. This analysis is then fed back into PVC's grant programs to improve the response capabilities of PVO partners.

“The issues addressed by PVC in recent years have included organizational assessment, financial sustainability, partnering with local organizations, strategic planning, and results monitoring and reporting.”

Recent decisions taken in conjunction with the reorganization of USAID/Washington have resulted in the transfer of several of PVC's competitive grant programs to other headquarters offices. The Child Survival Grant Program has moved to the Global Health Bureau, the Farmer-to-Farmer Program to the Bureau for Economic Growth, Agriculture and Trade, and the Development Education Grant Program to the Bureau for Legislative and Public Affairs. In addition, PVC was encouraged to give increased attention to strengthening NGOs while maintaining its role as a focal point for information, PVO policy concerns, contacts, advocacy, and support for PVOs.

2.3 Lessons Learned That Shape the New Strategy

To implement PVC's strategic objective of increasing the capability of its PVO partners to achieve sustainable service delivery, the Office relied heavily on cooperative agreements with PVOs and provided specialized technical assistance to the PVOs on a variety of sectoral and organizational issues. These agreements targeted institutional changes and technical strengthening within individual PVOs and their local partners. Field missions were asked to concur with PVC-supported programs in their country, but these programs were not necessarily integral parts of a field mission's country strategic plan. PVC used its annual Request for Applications (RFA) to highlight its interest in particular issues or problems. The issues addressed by PVC in recent years have included organizational assessment, financial sustainability, partnering with local organizations, strategic planning, and results monitoring and reporting. In all of its agreements, PVC sought innovative solutions to such issues, which could be easily scaled up and replicated by other PVOs.

The major lessons learned include:

- **Organizational Assessments Catalyze Change.** PVC has promoted organizational assessments as an effective tool for implementing operational and technical changes within PVOs. Seventy-four percent of PVC's grantees reported changing management or operational practices while 62 percent adopted new technical or program practices as a result of organizational assessments. The PVOs also reported that about 90 percent of their local partners made management, technical or program changes as a result of organizational assessments.⁹ When surveyed on the types of assistance needed by NGOs, the PVOs identified a cluster of skills focused on measuring program performance and impact.¹⁰
- **Setting Standards Increases Performance.** By training PVOs to deliver state-of-the-art interventions, PVC has improved the effectiveness and sustainability of PVO programs. For example, recipients of PVC Child Survival Grants maintained childhood immunization rates in their service areas despite declines in worldwide immunization rates. Specifically, nine out of 14 PVC Child Survival Grant recipients working in Bangladesh and Bolivia found private resources to continue their programs after PVC support ended and, in about half the cases, community groups formed through PVC-supported programs continued to function after assistance ceased. As an added benefit, PVOs and their local partners reported an improved ability to deliver humanitarian and emergency assistance as a result of the technical and organizational capacity building carried out under PVC cooperative agreements.
- **Networks Foster Problem-Solving and Self-Reliance.** PVC's creation of and support to three networks has helped PVOs identify and address problems hindering program impact as well as acquire the knowledge and skills to address implementation problems and/or policy issues. Seventy-one percent of the Small Enterprises Education Promotion Network (SEEP) members, a network of microfinance and business PVOs, reported using SEEP's *Financial Ratios Guide* on a regular basis while 92 percent reported regularly sharing SEEP technical materials with their local partners. Sixty-six percent of Corporate Community (CorCom) members, a network to promote linkages between PVOs and businesses, adopted corporate partnership models in their strategic planning or initiated private sector partnerships. Seventy-eight percent of the Child Survival Collaboration and Resources Group (CORE) members, a network of PVOs implementing child survival programs, used project tools, lessons, materials and other approaches that had been developed by other PVOs and shared via the CORE network. Two unanticipated outcomes of PVC's support for networks have been an increase in the participation of PVOs in international discussions of policy and greater funding from non-PVC sources.

⁹ PVC's R4 Survey, January 2002.

¹⁰ PVC's R4 Survey, January 2001.

- **Decision-Making Based on Data and Analysis.** Resources are used most effectively when supported by an actively managed research and development (R&D) agenda. In recent years, PVC has, in conjunction with its PVO partners, invested in special studies, surveys and assessments of operational issues that hinder program performance. The data and information from these studies have aided PVC and the PVO community to address program issues effectively.

These four highly successful approaches are the foundation on which PVC has built its new strategy.

2.4 PVC's Consultations Summarized

During the preparation of its strategy, PVC engaged in a series of formal and informal discussions with stakeholders, clients, other USAID/Washington offices, and USAID field missions. It undertook a survey on the relationships between USAID field missions and local nongovernmental development organizations and reviewed internal and external documents related to NGOs and USAID policy and programs.¹¹ The main strategic considerations to emerge from these consultations are briefly described below.

- **PVOs Support Increased Role in Civil Society.** The growth in NGOs worldwide and the need to strengthen their capacity are widely recognized and supported. Assistance to NGOs is seen as particularly important in countries where governments may not be supportive of their work or where legal and regulatory frameworks constrain the viability of the sector.
- **PVOs Place More Emphasis on Partnership.** Experienced PVOs increasingly define themselves as brokers of organizational development and capacity building that contribute to the strengthening of civil societies. Accordingly, they aim to build partnerships with NGOs, while recognizing that there is much still to learn in this field. Therefore, they seek continued guidance from PVC on developing this knowledge as they move away from direct service provision and increase their NGO focus.
- **Financial Sustainability Is an Issue.** PVOs and NGOs recognize that additional development partners must be brought into the mix to diversify their sources of funding. Although an increasing number of organizations acknowledge that

¹¹ Examples of PVC's consultations include: Report of a PVC Consultation on New Directions for the Future, June 7-8, 2001, available on the PVC website or minutes from PVC's January 9 meeting with ACVFA or its February 15, 2002 meeting with InterAction. External documents consulted include ACVFA's *An Assessment of the State of the USAID/PVO Partnership* (June 1997) and its white paper *USAID and Civil Society: Toward a Policy Framework*, (exposure draft, March 5, 1999). Internal documents consulted include *Lessons in Implementation: The NGO Story, Building Civil Society in Central and Eastern Europe and the New Independent States*, (USAID, Bureau for Europe and Eurasia, October 1999) and *Building Democratic Constituencies: USAID and Civil Society Programming after the First Decade*, (USAID, Office of Democracy and Conflict, April 2002 draft). PVC also looked at the work of other donors, including DANIDA's *Strategy for Danish Support to Civil Society in Developing Countries Including Cooperation with Danish NGOs*, (Ministry of Foreign Affairs, October 2000) and the International Forum on Capacity Building series on Southern NGOs, including Rajesh Tandon and Kaustuv Kanti Bandyopadhyay, *Capacity Building of Southern NGOs: Lessons from International Forum on Capacity Building*, (undated).

public-private partnerships are vital to sustainable development in an increasingly interdependent world, practical experience is limited, reliable tools and guidelines are hard to find, and examples of successful partnership endeavors are few. Hence, there is a continuing need for programs to help these organizations operate in a more businesslike manner and to diversify their funding bases. This includes business planning, cost-recovery, corporate alliances and the development of accreditation standards, which might make NGOs more appealing to partners from the private sector.

- **Advocacy Has Become an Essential Program Activity.** It is increasingly recognized that the ability of NGO groups to influence national and sectoral policies is crucial to the viability of such groups and to the success of their programs. Organized networks of NGOs also provide the means for sharing best practices and extending reach into communities.
- **Internal USAID Coordination Is Needed.** Within USAID, different units invest in NGOs for different reasons using different mechanisms. This has resulted in some duplication, and the roles and interests of the various USAID units are not always clear to outsiders. Increasing the priority given to NGOs within USAID's decentralized programming system requires the consistent application of a coherent policy.

“It is increasingly recognized that the ability of NGO groups to influence national and sectoral policies is crucial to the viability of such groups and to the success of their programs.”

2.5 Summary

Three dominant themes arise from PVC's review of the overall assistance environment within which it works.

- NGOs, by which PVC means groups organized voluntarily to deliver development services contributing to poverty reduction or to achieve economic benefits for their members, are increasingly important. Encouraging their development is Agency policy.
- Organizational development (sometimes called capacity building, institutional strengthening or building social capital) can enhance the effectiveness of voluntary organizations, both PVOs and NGOs.
- PVOs, the main target of PVC's former strategy, are moving away from direct service delivery and working with NGOs to expand their capacity to deliver services.

These are the pillars around which PVC has framed its new strategy.

3. PVC's New Framework: Strategic Objectives and Intermediate Results

3.1 Introduction

PVC's new strategic framework gives increased emphasis to NGOs and redirects the focus of PVC's support for PVOs to those that are newer to development and working in USAID priority areas. PVC's new results framework is presented on the following page.

The new strategy will look to PVOs to transfer skills to the NGO community, thereby strengthening the strategic, technical and managerial capacities of these groups and the networks and intermediate service organizations (ISOs) that link these organizations into a coherent development nexus.

The new strategy commits PVC to managing a research, development and outreach (RD&O) program designed to identify best principles and practices related to strengthening NGOs. This will be carried out in collaboration with its partners, clients and stakeholders. It also commits PVC to sharing its RD&O findings widely with these groups and incorporating research results into its grant programs. PVC believes that a more actively managed RD&O program will provide the foundation for a more coherent Agency-wide approach to strengthening NGOs. These analytic activities will also assist DCHA in identifying effective approaches to the longer-term task of strengthening NGOs in conflict-affected countries of high priority to the bureau.

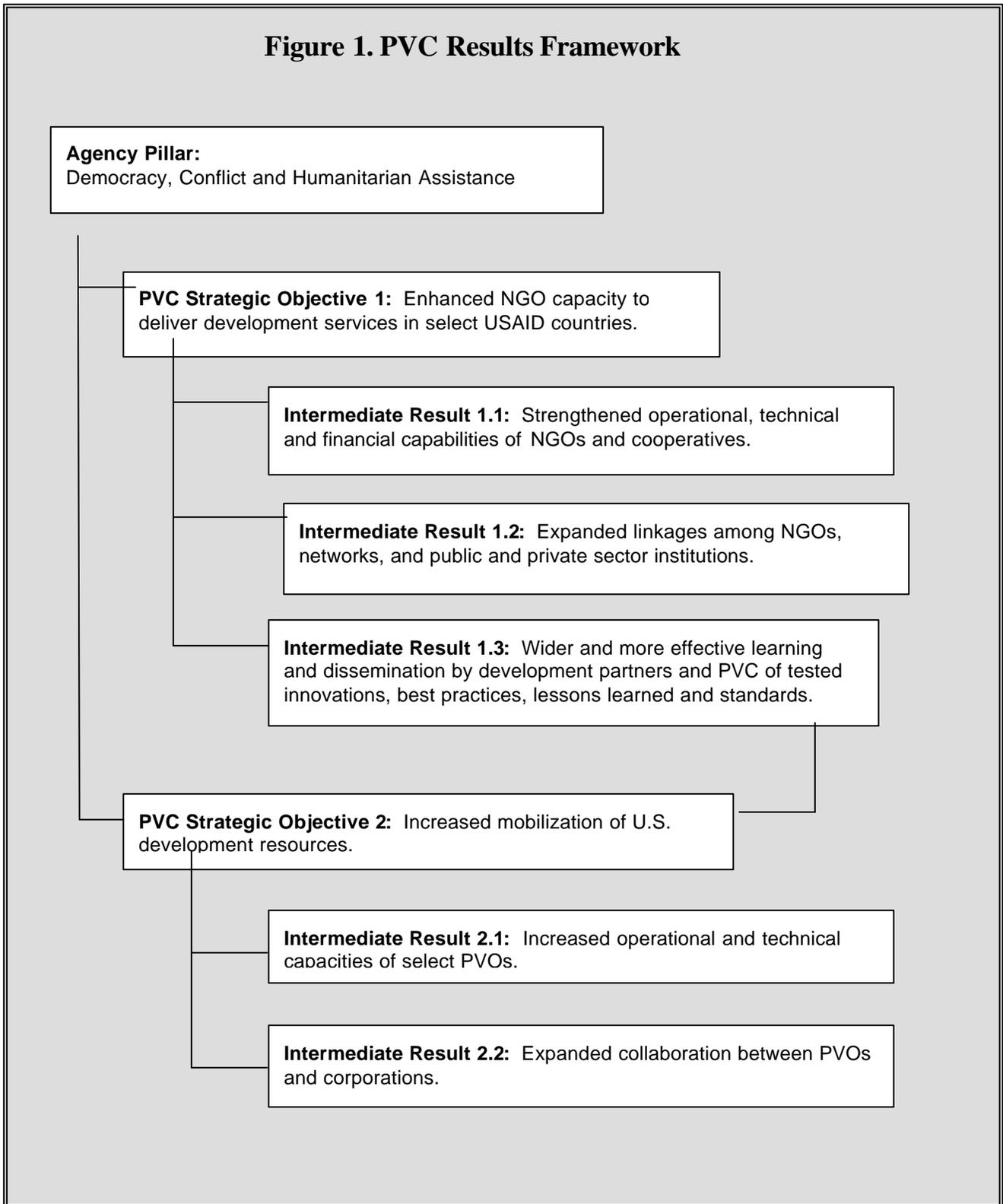
Finally, the new strategy continues PVC's tradition of leveraging private resources for development through capacity building support for "newer" PVOs and by brokering partnerships among PVOs, NGOs, and local and U.S. corporations.

Because of the voluntary and participatory nature of NGOs, PVC believes its new strategic objectives link primarily to the Agency's pillar of democracy, conflict and humanitarian assistance by building social capital and promoting the growth of civil society.¹² Nevertheless, PVC expects its support for strengthening such organizations to cut across development sectors. In this context, it also links closely with the Agency's cross-cutting themes of Institutional and Organizational Development and Civil Society Development.

The rest of this section describes PVC's new strategy in more detail. A results framework is also presented.

¹² See Gary Hansen *et al.*, Building Democratic Constituencies: USAID and Civil Society Programming after the First Decade, (USAID/Office of Democracy and Governance, 22 April 2002, draft), p. 8.

Figure 1. PVC Results Framework



3.2 STRATEGIC OBJECTIVE 1: Enhanced NGO Capacity to Deliver Development Services in Select USAID Countries

3.3 Rationale

PVC's first objective – enhanced NGO capacity to deliver development services in select USAID countries – reflects the mandate the Office was given as a result of the Agency reorganization and the evolution of the relationship between PVOs and NGOs. It also represents the progression of PVC's former strategy, a sub-theme of which was to build partnerships between PVOs and local organizations. However, there are substantial differences between the two strategies and they take PVC in new programmatic directions.

The challenges confronting NGOs vary in importance across national and regional boundaries and the economic, political and social contexts in which they work. However, these challenges can be grouped and summarized as follows:¹³

- Organizational, financial and managerial weakness

Many NGOs are constrained by financial, managerial and organizational limitations that restrict their ability to improve or expand services. For example, PVOs report that NGO partners, while strong on program implementation, have the least skills in measuring effects and impact. This includes weakness in analyzing and interpreting data as well as conducting baseline and follow-up surveys.¹⁴ In addition, high rates of staff turnover can contribute to organizational instability and a shortage of middle management. NGOs can also suffer organizational inertia as founders-directors retire or are unwilling to delegate to a second generation of leaders.

- External dependency

Dependency on external donor funds is a critical issue for many NGOs. Not only does this raise difficult questions about financial sustainability, it can also negatively impact NGO legitimacy and credibility in the eyes of governments and local populations. Donor dependency may also threaten local ownership as NGOs primarily respond to donor reporting requirements and lose touch with communities at the grassroots level. On the other hand, NGOs frequently need to improve their ability to manage and account for the use of the funds they receive in order to attract more local private resources.

- Narrow focus and fragmentation

Many NGOs are characterized by their focus on a narrow set of issues or a particular community. This limited focus can lead to the inefficient use of

¹³ See L. David Brown and A. Kaleganokar, "Support Organizations and the Evolution of the NGO Sector," *Nonprofit and Voluntary Sector Quarterly*, 31:2, 2002, pp. 231-258.

¹⁴ PVC Annual Results Survey, January 2002.

resources as small organizations provide parallel services without achieving economies of scale. It can also lead to competition and misunderstanding between different organizations, thereby undermining the capacity of NGOs to influence policies at the local and national level.

- Weak enabling environment

Relations with state agencies are increasingly recognized as a major concern for NGOs that seek to scale up impact or sustain programs. However, in many countries governments are suspicious of NGOs, regarding them as potential competitors in delivering services or representatives of international donor interests. Weak, arbitrary or hostile legal and regulatory environments can severely curtail NGO operations.

To address such challenges and achieve this objective, PVC's programs will take a comprehensive approach to NGO strengthening in the countries and sectors in which they operate. The programs will focus on assessing the varied site-specific factors and organizations that constitute the NGO community. They will identify those organizations and approaches that have the greatest potential to strengthen and maintain an array of NGOs at higher levels of performance.

PVC's approach to strengthening NGOs means, among other things, that it expects to support activities designed to strengthen the capacity of a wide variety of organizations that are crucial to the effectiveness and sustainability of NGOs in the delivery of services to their constituencies. Such activities might include building networks among NGOs; strengthening ISOs, whose purpose is to provide support services to NGOs; or improving the enabling environments within which NGOs work. These programs will be designed to increase the strategic, technical, managerial and advocacy skills of NGOs, networks, and ISOs. All of these programs will include conflict vulnerability assessments. Emphasis will also be placed on building linkages among NGOs and with a variety of other local groups, including governments and businesses. Such linkages will contribute to sustainability.

“These programs will be designed to increase the strategic, technical, managerial and advocacy skills of NGOs, networks, and ISOs.”

PVC will look to PVOs as the principal facilitators of NGO strengthening for two main reasons. First, they have a comparative advantage based on the experience and expertise gained from a broad range of long-standing collaborative relationships with NGOs developed under previous PVC grants. After many years of developing in-country partnerships, PVOs understand the value of such relationships and the trust, transparency, joint decision-making and mutuality necessary in making them. As a result, they are uniquely positioned to assist NGOs in strengthening their leadership capacity, legitimacy and organizational vitality. Second, as PVC's consultations indicate, PVOs are committed to shifting their role from being providers of direct services to becoming facilitators of operational work carried out by NGOs. With PVC support, many PVOs have become “learning organizations” capable of changing and adapting to constantly shifting environments and developing new and innovative program models to the

point where they set the standard in a number of sectors. As such, they can draw on their pre-existing knowledge base of local organizations and conditions to accelerate the organizational and programmatic capacity of NGOs and increase the scale and impact of services.

In order to increase the effectiveness of both the PVOs and NGOs involved in the NGO strengthening program, PVC will carry out a proactive RD&O agenda to identify what interventions work best to achieve USAID priorities in a variety of development areas. It will also share lessons learned and promote the adoption of the most effective interventions among PVOs, NGOs, and interested parts of the Agency. As part of its RD&O effort, PVC will monitor the effectiveness of building a conflict vulnerability component into development activities as well as assessing how best to strengthen NGOs in post-crisis situations.

A targeted focus on NGOs also means that PVC expects to become the advocate for such groups within the Agency and to promote a more comprehensive Agency approach to working with and through such groups to resolve development problems. With its focus on select countries, PVC expects to develop a collaborative relationship with field missions and a new, more coordinated relationship with other DCHA offices.

PVC envisions three types of “select” countries. The first category consists of field missions seeking to enhance their NGO support programs. PVC assistance in this regard would be shaped by the needs of different missions and could entail a variety of activities. The second category includes countries of high priority to DCHA. Given DCHA’s mandate, PVC expects these countries to fall into the category of failed or failing states. The third category includes countries in which relatively small PVC investments would be expected to yield relatively large returns for the Office’s learning agenda or make a significant difference in the working environment for NGOs.

In addition, advocacy on behalf of under-represented groups is a critical function of some NGOs, while advocacy in favor of particular program approaches or public policies may be a necessary component of effective service delivery programs managed by NGOs. PVC will support advocacy that is a necessary component of effective programs, but sees NGOs that seek to provide services in underserved communities and cooperative associations as the primary target of its assistance rather than those whose sole purpose is to influence public policy.

There are no critical assumptions underlying PVC’s first strategic objective.

To measure achievement at the strategic objective level, PVC will develop an index that rates the status and effectiveness of NGOs in the countries selected for assistance. The index will be composed of elements that have proven to be essential for strong NGO performance. PVC expects that the elements in the Index will include:

- Organizational sustainability, as measured by the strength of boards of directors, increased investments from businesses, foundations, missions or other donors, and the number of linkages among NGOs, business, local government and networks.

- Quality of NGO programs, as measured by their use of state-of-the-art approaches.
- Key policies or program recommendations enacted, as measured by using the CDIE approach to monitoring policy change.
- Increased capacity to address conflict, as measured by the use of conflict assessments.

Based on past experience, PVC will directly involve grant recipients in the development of the Index, which would be used by all PVC grantees under this objective.

3.4 Intermediate Result 1.1: Strengthened Operational, Technical and Financial Capabilities of NGOs and Cooperatives

PVC’s choice of this intermediate result reflects the internal changes NGOs and cooperatives have adopted to improve their performance as a result of organizational assessments conducted in cooperation with their PVO/CDO partners and through PVC support. The following table summarizes the frequency of management changes adopted.

TABLE 1: Reported Management Changes

Management Change	% Making Change^a
Strategic Planning	72
Staff Training	68
Sustainability Planning	68
Financial Management	66
Information Systems	66
Technical Standards	64
Monitoring and Evaluation	62
Program Design	60

a. The data is reported by PVOs/CDOs. The percentage is the number reporting changes in NGO/ cooperative operations.

Source: PVC, “Results Review FY 1999 and Resource Request FY 2002” (April 1, 2000).

This intermediate result is designed to continue PVC support for organizational assessments among NGOs and cooperatives and to expand the number of NGOs that are able to improve their capacity across the full range of management constraints identified in the above list of reported reforms. In IR 1.2, PVC will give increased emphasis to two of the aforementioned management reforms, i.e., performance monitoring and financial reporting. Both are critical for NGOs and cooperatives that seek to establish their credibility and build linkages with governments and businesses. In addition, PVC will give attention to increasing the capacity of NGOs and cooperatives to analyze and address, through their programs, the root causes of conflict.

PVC will design a new NGO strengthening grant program to be implemented through PVOs capable of undertaking quality capacity building. This program will apply organizational

assessment technologies and follow-up organizational improvement programs in a consistent manner. In collaboration with its PVO and NGO partners, PVC will develop an index of NGO management capacity development that it will use to assess the performance of this intermediate result. “Before” and “after” capacity measurements of assisted NGOs will also be taken.

From its inception, the Cooperative Development Program has focused on building the institutional capacity of local cooperative partners. Consistent with the Report to Congress on the Implementation of the Support for Overseas Cooperative Development Act, the program currently focuses on developing, testing and extending solutions to key issues related to cooperative governance, management, the legal and regulatory environment. These efforts take place in partnership with individual cooperatives, federal cooperatives and promotional organizations.

3.5 Intermediate Result 1.2: Expanded Linkages among NGOs, Networks, and Public and Private Sector Institutions

While organizational assessments and internal management reforms play a key role in bringing about quality improvements of individual NGOs, experience with the PVO community has shown that the sustainability and scale-up of good programs require “external” investments as well. Such investments include improvements to the legal and regulatory frameworks within which NGOs must work, to NGO networks that support the technical and management improvements of members, and to linkages NGOs establish with governments and the business community. Transferring the lessons and skills learned by the PVO community to NGOs is the focus of this intermediate result.

To operate effectively and to sustain their programs, NGOs need legal and regulatory frameworks that recognize their legitimacy, permit them to raise resources, and do not arbitrarily limit their operations. A positive environment is also one that enables NGOs to develop mutually reinforcing links with each other and with support organizations, such as umbrella groups, technical networks or ISOs, to service their needs. These linkages help increase the effectiveness of NGOs in their interactions with government through better information and by building solidarity between different groups and actors on common issues. Since NGOs are frequently limited in capacity and reach, multi-organization initiatives that mobilize different groups around common concerns can expand NGO impact at the local and national levels. Finally, a positive environment encourages NGOs to develop ties with community-based organizations, associations, and other groups, including local governments and businesses. Coalition building also promotes networks of trust and cooperation among members and participants, which enhances problem-solving skills, increases efficiency, and improves impact in the long term. Hence, through this intermediate result, PVC will give increased attention to improving the enabling environments within which NGOs must work.

“Networks have proven to be an effective means of helping PVOs identify and address problems constraining program impact and to acquire the knowledge or skills needed to address implementation problems and/or policy issues.”

Networks have proven to be an effective means of helping PVOs identify and address problems constraining program impact and to acquire the knowledge or skills needed to address implementation problems and/or policy issues. Indeed, approximately 70 percent of the NGO partners implementing PVC grants are members of local networks. While the value of these networks as a vehicle for improving the technical and management practices of their membership is not disputed, existing local networks are widely recognized as fragile and in need of significant management and organizational assistance. Support for network building will also help facilitate NGOs to become civic organizations rather than project carriers and, thereby, strengthen the capacity of civil society as a whole. Accordingly, through this intermediate result, PVC will increase its support for network development.

Finally, under its previous strategy, PVC encouraged its U.S. recipients and their local partners to involve local governments in their activities, particularly under its Child Survival Grants Program. Such involvement contributed to the long-term sustainability of programs initiated with PVC support. It also assisted in the dissemination and adoption of better health practices by local governments and national ministries.¹⁵ Good working relationships of this type must be pursued by NGOs if they are to work well.

PVC has also encouraged its PVO partners to build relationships with the local and international business community to ensure the sustainability of PVO activities initiated through PVC support. As a result, approximately 30 percent of the PVOs with PVC grants had at least one commercial, i.e., for-profit, partner in 2002.

Accordingly, through this intermediate result, PVC will adapt its experience of promoting local government and business relationships with PVOs to its work with NGOs. These issues will be incorporated in the strategic planning work it carries out in association with collaborating missions, its grants to PVOs to strengthen NGOs, and its new programs in countries of high priority to DCHA.

PVC will use two measures to assess progress against this result. The first will be a capacity assessment of networks receiving PVC assistance. The second will track the U.S. dollar value of private and public sector resources mobilized by assisted NGOs.

3.6 Intermediate Result 1.3: Wider and More Effective Learning and Dissemination by Development Partners and PVC of Tested Innovations, Best Practices, Lessons Learned and Standards

USAID has been encouraged to foster organizational learning among NGOs, undertake cross-cultural comparisons, and support systematic documentation of what does and does not work.¹⁶ This advice reflects PVC's own conclusion that its resources are used most effectively when supported by an actively managed RD&O program. Accordingly, PVC's third intermediate result under this objective is the wider and more effective learning and

¹⁵ *Ibid.*, p. 12.

¹⁶ ACVFA, *An Assessment of the State of the USAID/PVO Partnership*, *op. cit.*, pp. 32, 37.

dissemination by development partners and PVC of tested innovations, best practices, lessons learned and standards. PVC will manage this intermediate result to ensure that it contributes to intermediate results 1.1 and 1.2 as well as to the second strategic objective of mobilizing U.S. development resources.

PVC expects the issues on its first-year analytic agenda to include program scale-up and sustainability, the nature of effective partnerships, and how to incorporate conflict management or mitigation issues into effective service programs. The Office will also review programming in post-conflict situations as part of a specialized outreach agenda with the PVO community and donors. In subsequent years, PVC expects its RD&O agenda to cover the full range of issues related to strengthening NGOs.

It is PVC's intention to manage and implement its RD&O program in collaboration with internal and external stakeholders, partners and other interested parties to the maximum extent possible. Such groups include collaborating missions, regional bureaus, other DCHA offices, recipients of PVC grants, and PVOs and NGOs generally represented by such groups as the Advisory Committee on Voluntary Foreign Assistance (ACVFA), InterAction, or the International Forum on Capacity Building (IFCB). Illustrative PVC-supported activities to achieve this intermediate result include annual, agenda-setting consultative meetings to identify emerging issues, trends and operational constraints to program effectiveness. PVC will sponsor activities directed at consolidating, synthesizing and disseminating findings about best practices. PVC will also consider funding NGO strengthening grants that test particular findings across a broader range of countries or NGOs. Finally, PVC expects to initiate a proactive communications plan that emphasizes the increased use, adoption, and integration of lessons learned.

“PVC expects the issues on its first-year analytic agenda to include program scale-up and sustainability, the nature of effective partnerships, and how to incorporate conflict management or mitigation issues into effective service programs.”

PVC will monitor performance against this intermediate result using three indicators. One will be the percentage of PVC grants that generate best practices or lessons learned that have utility beyond the project area. The next will be the number and percentage of NGOs and PVOs that adopt a recommended best practice or change some aspect of their organization because of what they learned through PVC's RD&O program. The third will be a “qualitative” assessment of the effectiveness of PVC's RD&O program by those who participate in it. PVC expects to collect this information by continuing its annual survey of partners.

3.7 STRATEGIC OBJECTIVE 2: Increased Mobilization of U.S. Development Resources

3.8 Rationale

PVOs and corporations have become important development partners, not only for USAID but also for NGOs and governments in developing countries. PVOs bring a wide range

of ideas and talents to the challenge of solving today's development problems. Furthermore, they have mobilized a substantial level of financial resources in support of their programs. It is estimated, for example, that PVOs provided approximately \$4.0 billion in development assistance funding from non-U.S. Government sources in 2000.¹⁷ Similarly, corporations, through direct investments that create jobs or social investments that address community problems, contribute to development. Hence, USAID has sought to encourage closer and more effective working relationships with PVOs and for-profit companies. The Agency's Global Development Alliance is a recent example of this endeavor.

Over the years, PVC's grant programs have been successful in that its grant recipients have increased their technical capacities within one or more development sectors, expanded the number of countries in which they work, and "graduated" to direct agreements with other Agency offices and missions. Nevertheless, it is acknowledged within the PVO community and USAID that while the development capacity of larger PVOs has increased, there remains "a need to assist smaller organizations attempting new work in areas not covered by the mega organizations."¹⁸ Furthermore, it is USAID policy to "recognize the diverse size and structure of PVOs, and invest in strengthening the institutional capacity of PVOs, when this will help them to be more effective in working in USAID priority areas."¹⁹

More recently, PVC has encouraged PVOs to develop partnerships with U.S. and local corporations to ensure the longer-term sustainability of their programs. This initiative has leveraged approximately \$28.5 million in additional resources for the PVOs involved, and evolved into more direct support by PVC for the development of corporate social investment programs. Hence, this objective seeks to help both smaller and larger PVOs become more effective in USAID priority areas by supporting the diversification of their sources of funding. In addition, it intends to expand corporate social investments through private sector partnerships with PVOs and NGOs.

PVC will work toward this outcome through two intermediate results. The first builds on PVC's successful track record in both strengthening the programmatic and technical skills of PVOs and improving their organizational and management competencies. The second supports PVO efforts to achieve financial diversification and sustainability. In doing so, this intermediate result has the effect of leveraging additional resources for development.

PVC will assess performance against this objective by measuring the number of assisted organizations that increase the scale of their overseas operations.

There are no critical assumptions underlying PVC's second objective. However, the priority under PVC's new strategy will be NGO strengthening, and PVC will cut back its work with PVOs if its overall funding levels are reduced.

¹⁷ United States of America, Working for a Sustainable World: U.S. Government Initiatives to Promote Sustainable Development (August 2000), p. 8.

¹⁸ Advisory Committee on Voluntary Foreign Aid, An Assessment of the State of the USAID/PVO Partnership (June 1997), p. 33.

¹⁹ USAID-PVO Partnership: Policy Guidance, *op. cit.*, p. 7.

3.9 Intermediate Result 2.1: Increased Operational and Technical Capacities of Select PVOs

The effectiveness of PVOs is affected by their capacity to plan, staff, manage, finance, evaluate and redesign their programs based on performance to date. From its prior institutional development work with PVOs, PVC has learned that:

- Developing an organization’s capacity to deliver services often requires reorganization, refocusing and retooling at both headquarters and field office levels;
- A systematic approach to capacity assessment, problem identification and resolution is needed to achieve more effective service delivery;
- Sustained, longer-term, targeted interventions lead to more rapid and intense organizational improvement than one-off training sessions or consultancies;
- Developing, providing and applying technical guidance and standards is critical to improving performance; and
- Increasing the technical performance and credibility of individual and/or groups of organizations is a necessary step toward increasing their participation in discussions of public policy or sectoral issues.

Therefore, the first intermediate result under this objective is increased institutional and technical capacity of select PVOs. This intermediate result targets “newer” PVOs, i.e., those:

- Which have not received substantial capacity building assistance from PVC nor implemented substantial assistance programs on USAID’s behalf;
- Whose boards of directors have committed the organization to expand its overseas development programs in USAID priority areas (sectors and/or countries);
- That can demonstrate success in the development field in which they proposes to work, including building community support for their programs, and the potential to scale them up with USAID support; and
- Have the potential to leverage adequate resources to sustain their new programs after PVC assistance ends.

PVC expects to achieve this result through a series of competitive grants awarded to PVOs seeking to undertake new or expand nascent overseas development programs, particularly in areas of high priority to the Agency such as agriculture, environment and conflict mitigation. These grants would enable recipients to purchase required institutional development assistance from the most appropriate source, such as PVO networks, non-profit consultant groups, or other PVOs. Grant applications would describe the institutional constraints on the organization’s ability to implement effective development programs, the assistance needed and time frame required to address these constraints, and the expected capacities the organization will develop as a result of PVC assistance. PVC will monitor performance using three indicators. The first will measure the “before” and “after” capacity assessment scores of assisted organizations; the second, the number of assisted organizations operating from strategic plans; and the third, the number using state-of-the-art technical approaches.

PVC has found that networks of PVOs are an effective source of technical and management improvement ideas. For example, under its now expiring strategy, PVC encouraged the formation of two PVO networks (CORE and SEEP) and 70 percent of the members of each network reported using information developed by the networks in their programs. Accordingly, PVC will give special attention to network support under this intermediate result as well as under SO1.

3.10 Intermediate Result 2.2: Expanded Collaboration between PVOs and Corporations

PVC's experience shows that issues of program scale-up and sustainability require PVOs to diversify and stabilize their resource bases. Helping PVOs build linkages with the private sector contributes to this end.

USAID has long sought to encourage PVO collaboration with the private sector through, for example, the New Partnerships Initiative in 1995 and, more recently, the Global Development Alliance. PVC, in particular, has facilitated expanded collaboration through both its Matching Grant and Millennium Alliance programs. Approximately one third of PVC's Matching Grant recipients, for example, have found partners in the business sector to facilitate expansion of their programs. One such partnership enabled a U.S. conservation PVO to find a lucrative market for its beneficiaries' agricultural products in the U.S. Through another partnership, a large U.S. agricultural development PVO was able to help its beneficiaries expand production, increase household income, and reduce agricultural workload on women. PVC's Millennium Alliance Program (MAP) is designed to partner PVOs and, increasingly, NGOs with business groups. On the one hand, it helps PVOs and NGOs develop "business plans" which better enable them to explain their work to business groups; on the other hand, it helps private companies develop "social investment strategies" and identify partners well positioned to help them achieve their social investment objectives. To date, MAP has generated PVO-business partnerships valued at approximately \$28.5 million. The nature of MAP-facilitated programs range from a comprehensive social investment program in a free trade zone in the Dominican Republic to a global social investment program for a major U.S. agribusiness corporation.

“Approximately one-third of PVC’s Matching Grant recipients have ‘partnered’ with the business sector to facilitate expansion of their programs.”

Through this intermediate result, PVC will continue its efforts to promote corporate-PVO partnerships. However, as noted under intermediate result 1.2, PVC's work in this regard will be broadened to include the promotion of partnerships between NGOs and local or U.S. businesses. PVC will monitor the performance of this objective by tracking the resources leveraged from both local and corporate partnerships.

4. Managing PVC's Strategy

PVC's strategy contains three components: NGO strengthening, RD&O, and newer PVOs. PVC will manage these components in the following ways.

4.1 NGO Strengthening

PVC plans to implement the NGO strengthening component of its new strategy primarily through a series of competitive grants awarded annually to PVOs. PVC will issue a request for applications (RFAs) or annual program statements (APSs) identifying the results that it seeks to accomplish. These results will reflect both PVC's strategic objectives and the relevant findings from its R&D program. Applicants will be expected to propose a set of activities that they believe are best designed to achieve the desired results with regard to NGO strengthening in a particular country or region. PVC will manage the review and technical selection process, involving other regional and central bureau offices and missions, as appropriate. It will also work with the bureau's procurement officers to award these grants in a timely manner.

PVC expects NGO strengthening grants to target countries in which relatively small PVC investments will return proportionately large benefits to NGOs and/or DCHA priority countries. In both cases, PVC's RFAs or APSs will request applicants to provide a careful analysis of the internal and external constraints to more effective service delivery programs in the country or countries included in their proposal. Throughout the process, PVC intends to systematically collaborate with regional bureaus to target grants to the most appropriate countries. As PVC's support for missions seeking to enhance their NGO strengthening programs expands, the Office will give consideration to how its grants might be used to further enhance mission-financed NGO strengthening programs.

DCHA priority countries are those that are drifting toward, or recently emerged from, complex crises and have also been identified by DCHA for bureau-wide support. Current examples of these priority countries include Burundi, Afghanistan, and the Sudan. PVC will focus its DCHA priority countries on NGOs that established their credibility with communities before the crisis struck but which may have lost leadership, members, staff, and resources as a result of the crisis. PVC's support would be designed to equip such organizations to play an immediate role in development, whether by providing critical services, such as health or education, or supporting economic activities. Inevitably, there will be a "crisis management" aspect to this portion of PVC's NGO strengthening objective. Hence, it expects its list of selected countries to change each year. However, once PVC has initiated rebuilding activities in a given country, these activities will continue for a minimum of three to four years.

Finally, because networks and ISOs have proven to be effective NGO and PVO strengthening mechanisms, PVC will consider supporting such activities either independently or as components of a more comprehensive approach to strengthening NGOs.

PVC views its work with collaborating missions as part of its NGO strengthening activities. PVC collaborating missions are those missions that have agreed to collaborate with

PVC on strengthening NGOs. Such missions would include those in the process of developing new country strategic plans or seeking to enhance existing NGO strengthening programs. In these situations, PVC could help missions assess the variety and relative strength of NGOs and the quality of the NGO enabling environment, identify critical constraints and effective interventions, or help write appropriate intermediate results or strategic objectives. It could also assist with performance assessments and program evaluations, the promotion of best practices among the mission's partner NGOs, or involve these same groups in regional or global networks of like organizations.

4.2 Research, Development and Outreach

PVC will manage and implement its RD&O program in collaboration with its many partners and stakeholders. Such groups include collaborating missions, regional bureaus, other DCHA offices, recipients of PVC grants, and PVOs and NGOs generally represented by such groups as ACVFA, InterAction, or the IFCB. All such groups will be invited to join PVC in annual, agenda-setting consultative meetings to identify emerging issues, trends, and operational constraints to program effectiveness. PVC will then make decisions as to how best to carry out its analytic agenda. PVC will feed lessons learned from its analytic agenda into its annual RFAs or APSs to help ensure investment in programs with the greatest potential to strengthen NGOs or their networks.

PVC expects to carry out part of its RD&O and mission support activities through a leader-associate cooperative agreement. The leader component will include responsibility for arranging annual meetings to review findings from the previous year's analytic agenda and to establish the forthcoming year's agenda. The leader component will also carry out much of the analysis, but PVC will reserve the right to draw upon the Agency's existing evaluation IQCs to undertake portions of the analytic agenda when doing so would be appropriate. PVC also expects dissemination of findings to be included in the leader-associate grant, but may also choose to use outreach provisions within other existing PVC mechanisms to incorporate analytic findings into its more regular meetings with PVOs and other representatives of this community. PVC also expects to draw upon the leader component of this grant to provide strategic support to country programs.

4.3 "Newer" PVOs

PVC will manage the PVO component of its strategy in a manner similar to that of its NGO strengthening component. Annual RFAs or APSs will request applicants to identify the constraints (internal and external) to expanding their overseas development work and to provide a plan for addressing these constraints with PVC's support. These grants will be awarded on a competitive basis. However, a key difference between PVC's approach to managing its PVO grants and NGO strengthening grants is that the former will continue PVC's tradition of Matching Grants. That is, successful applicants will have to match PVC's resources with an equal or higher level of their own resources. Cost-sharing principles, on the other hand, will be applied to PVC's NGO strengthening grants.

5. Resource Estimates (not for public distribution)

6. Conclusion

This strategy preserves PVC's strong partnership with PVOs and advances it in new directions. It builds on PVC's long history in strengthening the capacity of these organizations and assisting them to become valuable development partners in their own right. They are now well positioned to pass on this expertise to their counterpart organizations overseas. With the emergence of a vibrant civil society in the South, PVOs have increasingly recognized that their roles must evolve from direct service delivery to facilitating the development of NGOs, networks and intermediary organizations. Their relationships are expanding to encompass local governments and businesses in order to bring about necessary policy reforms, increase scale, and achieve longer-term sustainability.

PVC's strategy enables USAID to play a leadership role at this critical juncture. It is designed to support the PVO community in this very important and, sometimes, difficult transition. An effective civil society, both in the U.S. and overseas, will be better equipped to reinforce democratic values, reduce poverty, and mitigate conflict.